

Central Intelligence Agency



Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

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China: Premier Zhao's Visit To Western Europe [REDACTED]

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Summary

China used Prime Minister Zhao Ziyang's visit to Europe in June to further important strategic and economic interests. With NATO leaders, Zhao expressed support for the INF deployments as strengthening the Western alliance. But, he also stressed China's hope that the United States and USSR will resume arms control talks in order to ease East-West tensions. Beijing believes such talks would ease divisive pressures on NATO and that an agreement might also reduce the Soviet incentive to deploy more SS-20s in Asia. In addition, the Chinese sought to promote increased trade and lobbied especially for fewer COCOM restrictions on high technology of interest to China. [REDACTED]

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Limiting Soviet Expansion

Prime Minister Zhao Ziyang spent the first half of June visiting France, Belgium, Sweden, Denmark, Norway, and Italy, in part to repay visits by European leaders to China. He also met

This memorandum was prepared by [REDACTED] China Division, Foreign Affairs Branch, Office of East Asian Analysis. It was coordinated with EURA. Comments and questions are welcome and should be addressed to Chief, China Division, OEA, [REDACTED]

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with the EC Commission president and other EC leaders while in Belgium. His stops in Sweden and Norway were a first for a Chinese prime minister. [REDACTED]

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Zhao's discussions focused on economic cooperation and strategic issues reflecting Chinese interest in limiting Soviet expansion and promoting its modernization drive. Zhao impressed European leaders with his low-key, non-doctrinaire approach, especially to issues of common concern to Europe and China. Implicitly underscoring China's continued support for a strong, unified NATO, Zhao privately expressed understanding, for example, for the INF deployments. He said that the deployments, psychologically at least, served to demonstrate Western resolve on defense matters. [REDACTED]

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Zhao also publicly expressed concern about Soviet countermeasures that might worsen the arms race and over time threaten China. He suggested that the INF deployments be stopped in order to encourage the Soviet Union and the United States to resume arms control negotiations. Zhao reiterated China's opposition to any arms control agreements, however, that would permit the Soviets to shift missiles from Europe to the Soviet Far East. [REDACTED]

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[REDACTED] The Chinese believe that US unilateral actions in countering the USSR have worsened tensions in the Western alliance, reducing the pressure on the Soviet Union to negotiate weapons reductions. Zhao suggested that the West Europeans should play a larger role in the alliance in seeking to moderate Soviet behavior. [REDACTED]

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Pro-Western Independent Foreign Policy

Although the Chinese insist that they pursue an "independent" foreign policy, they also point out that this does not mean that China seeks a position of equidistance between the superpowers. Rather, the Chinese say they do not want to ally themselves formally with either the United States or the USSR. Zhao cited France as having this kind of policy, implying that China can pursue an "independent foreign policy" and still support the West. During his European trip, Zhao used support for European independence, stability, and security as codewords for support for the Western alliance-- albeit one in which the Europeans exercise greater influence than they do now. [REDACTED]

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During his trip, Premier Zhao publicly supported superpower disarmament and said the European peace movement had justifiable concerns despite his private approval of the INF deployments. In doing so, we believe Beijing is trying to encourage the Western European peace movement to be as critical of the Soviets as it is of the United States in order to nullify Soviet efforts to use the movement to sow discord in the NATO alliance. [REDACTED]

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Promoting European Trade

Zhao also used the trip to encourage the Europeans to become more active in the China market, hoping in turn to promote increased sales of Chinese products in Europe. European countries are not large traders with China, except for West Germany, which occupies fourth position in importance to China with a total volume of \$1.7 billion in 1983. Trade with France and Italy in 1983 amounted to only \$826.7 million and \$623.8 million respectively. Chinese exports to Europe in turn have been hurt by the Western recession, having declined since a peak of \$2.6 billion in 1981 to \$2.4 billion in 1983. [REDACTED]

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By encouraging European countries to compete more vigorously as sellers of technology, we believe China hopes to be able to play off its suppliers and gain better terms. The Chinese have played especially on Western European fears that they are falling further and further behind Japan and the United States in the race for expanding trade with the burgeoning Pacific basin economies. [REDACTED]

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Chinese leaders also are trying to persuade Western European countries to adopt a less restrictive policy than the United States on the export of technology. [REDACTED]

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Modest Results

Despite the fanfare surrounding the trip, the overall results were quite modest. China signed two minor investment and taxation agreements with the French Government, and another minor investment agreement with the Belgian Government. Almost no commercial deals were signed. [REDACTED]

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One reason for such modest progress is European cautiousness about the potential for trade with China. The Chinese have tended to look but not buy, or to string out negotiations interminably. The French, in particular, have experienced delay after delay in negotiations for building a nuclear reactor in China while the Chinese have sought a better deal from the United States [REDACTED]

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Moreover, European companies were badly burned in 1979 when the Chinese signed several large contracts and then cancelled or suspended them shortly afterwards during a period of internal economic readjustment. Overall Western European exports to China peaked in 1979 at some \$3.4 billion and has not completely

recovered since. In 1983, they amounted to \$2.9 billion. Additionally, the Europeans have had considerable difficulty with Chinese bureaucratic, legal, and management obstacles as well as stiff competition from the United States and Japan. Given the Chinese preference for lower priced and more advanced United States and Japanese technology, the Europeans will probably continue to run third in competition for the Chinese market.

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SUBJECT: China: Premier Zhao's Visit to Western Europe [REDACTED]

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